CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 18, 2000

H.R. 4402
Training and Education for American Workers Act of 2000

As ordered reported by the House Committee on Education and the Workforce on May 10, 2000

SUMMARY

H.R. 4402 would amend the American Competitiveness and Workforce Improvement Act of 1998 to require that a portion of the visa fees collected under current law and reserved for the Department of Labor (DOL) would be spent by the Department of Education (ED) on loan forgiveness activities. Although net spending of those fees would not change over the 2001-2005 period, variations in spending patterns by DOL and ED would result in some year-to-year outlay differences relative to spending under current law. As spending under these programs is considered mandatory, these changes would be subject to pay-as-you-go procedures.

The bill also would authorize a loan forgiveness program to be operated by ED, subject to the availability of appropriated funds. CBO estimates that full implementation of this provision would cost $315 million over the 2001-2005 period. CBO estimates that $12 million of that cost would come from the transfer of fees to be collected in 2001 under current law; all remaining costs for loan forgiveness would require new appropriations.

H.R. 4402 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs to state or local governments as a result of enactment of the bill would be incurred voluntarily, as a condition of financial assistance.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4402 is shown in the following table. The costs of this legislation fall within budget function 500 (education, employment training, and social services).

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	0	10	-4	-4	-1	0
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	63	55	65	70	70
Estimated Outlays	0	55	48	60	70	70

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that H.R. 4402 will be enacted by the end of fiscal year 2000, and that necessary funds to implement the bill will be appropriated beginning in 2001.

Direct Spending

H.R. 4402 would amend provisions relating to job training demonstration programs authorized under the American Competitiveness and Workforce Improvement Act of 1998. Under that act, a percentage of fees paid by petitioners for non-immigrant work visas are used by DOL on grants for job training aimed at improving technical skills of the American workforce. H.R. 4402 would add new requirements to the grant programs—making them available to business consortia as well as governmental and nonprofit providers, and requiring grantees to provide matching funds of at least 25 percent of the total grant amount awarded. CBO estimates that these changes would have a negligible effect on federal outlays over the 2001-2005 period.

Under the bill, DOL would keep 75 percent of the allotment provided under current law. The other 25 percent would be transferred to ED for a loan forgiveness program (described in detail under the following section on spending subject to appropriation). CBO estimates that, under current law, DOL will receive $48 million in fees in fiscal year 2001 that would be used for job training activities. If this bill is enacted, DOL would keep $36 million and transfer $12 million to ED. Although the total amount of funds spent by the federal government over the 2001-2005 period would not change, there would be some change in spending patterns relative to current law.

Loan forgiveness activities are estimated as changes in credit program subsidies that are recorded when existing loans are modified or when new loans are disbursed. Consequently, outlays would be recorded faster for this program than for job training activities, resulting in a net increase in spending of $10 million in fiscal year 2001, followed by net reductions in spending over the next three fiscal years. The fees that are used to fund these activities are currently authorized only through 2001.

Spending Subject to Appropriation

The new loan forgiveness program that H.R. 4402 would establish is aimed at certain elementary and secondary school teachers. Under the bill, qualifying teachers who were new borrowers of federal student loans after 1998 could have up to $5,000 of student loan debt paid off by the federal government. Qualifying teachers include full-time elementary school instructors who provide reading instruction to students through the third grade, and other elementary and secondary school teachers who are full-time instructors in mathematics, science, and related fields. After three consecutive years of teaching in these fields, up to $3,000 of federal student loan debt would be forgiven, with an additional $1,000 per year for the fourth and fifth consecutive years.

Based on data on teachers from the National Center for Education Statistics, CBO estimates that about one-quarter of the 2.7 million elementary and secondary school teachers would eventually meet the instructional and tenure requirements of the proposed program, but only about 40 percent of those teachers would have outstanding student loan debt covered under the program. Because the program would be phased in by limiting participation to new student loan borrowers after 1998 and only after those borrowers have been hired and then taught for a minimum of three consecutive years, it would be many years before the program is fully implemented. By 2005, an estimated 25,000 teachers would be eligible to receive some debt forgiveness.

Program costs associated with the new loan forgiveness program are assessed under the requirements of the Federal Credit Reform Act of 1990. As such, the costs associated with loan forgiveness are recorded on a present-value basis in the year an existing loan is modified or a new loan is disbursed to the borrower. The costs of changes to 1999 and 2000 loans are shown in the table in 2001—when CBO assumes appropriations would first be provided.

CBO estimates that full funding requirements of the program authorized under H.R. 4402 would be $75 million in 2001 which covers the cost of loans disbursed to borrowers in 1999, 2000, and 2001, and $335 million over the 2001-2005 period. Of the estimated $335 million in funding costs through 2005, $12 million would be supplied through the visa fees, but the rest would be subject to annual appropriations.

H.R. 4402's language about the source of the funding for this program creates some uncertainty about the bill's scope. One possible interpretation is that the program's funding would be limited to only the amount of visa fees transferred from DOL to ED. If that were the case, then H.R. 4402 would create a program that would be authorized only for 2001 (or for subsequent years, should the Congress extend the fee authority). Because the bill does not specifically limit the program to 2001 and because it does not restrict funding of loan forgiveness costs to just the transferred fees, however, CBO assumes—for the purposes of this estimate—that additional funding for the program would be provided through annual appropriations to cover potential costs in addition to those covered by the transfer of fees.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	10	-4	-4	-1	0	0	0	0	0	0
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4402 contains no intergovernmental mandates as defined in UMRA. The bill would make grants available to local workforce investment boards, or a consortia of boards, to provide programs that train certain workers in skills that are in short supply in various technology fields. New grant conditions would require recipients to match at least 25 percent of the grant award. Any costs to state or local governments as a result of enactment of the bill would be incurred voluntarily, as a condition of financial assistance.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4402 contains no private-sector mandates as defined in UMRA.

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